

Message Text

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SUBJECT: EARLY WARNING: MAJOR PROJECT: BALA DAM

1. BALA DAM PROJECT HAS BEEN FLOATING ABOUT AS MUCH STUDIED IDEA FOR A LONG TIME. IT NOW APPEARS THAT FEASIBILITY STUDY AT LEAST WILL BE CARRIED OUT. MINISTER OF PLANNING AND COORDINATION, GENERAL LECHIN, HAS ANNOUNCED VENEZUELAN GOVERNMENT WILL PROVIDE US\$5 MILLION TO FINANCE SUCH STUDY. USSR, FRENCH AND ITALIAN FIRMS HAVE ALL EXPRESSED INTEREST IN CARRYING FORWARD PROJECT IN PAST, BUT TRANSPORT AND ACCESS PROBLEMS AND LACK OF MARKET FOR POWER HAVE KEPT PROJECT ON BACK BURNER. SOME OF THESE PROBLEMS APPEAR TO BE ON WAY TO RESOLUTION. WE BELIEVE INTERNATIONAL ENGINEERING CO., (SAN

FRANCISCO), SUBSIDIARY OF MORRISON-KNUDSON CO. INC. (BOISE, IDAHO) NOW FOLLOWING DEVELOPMENTS ON THIS PROJECT CLOSELY. BELIEVE LOUIS BERGER INTERNATIONAL, INC. (EAST ORANGE, NEW JERSEY) ALSO INTERESTED AND BECHTEL CORP. (SAN FRANCISCO) NOW BEGINNING SHOW INTEREST. MAIN BOLIVIAN ENTITIES THAT ARE INVOLVED ARE INDEF (NATIONAL FINANCE INSTITUTE) AND INALPRE (NATIONAL PRE-INVESTMENT INSTITUTE) ESPECIALLY IN THE PROJECT DESIGN STAGE AND ENDE (STATE ELECTRIC POWER COMPANY), CORDEPAZ (LA PAZ DEVELOPMENT CORPORATION) AND COFADENA (ARMED FORCES DEVELOPMENT CORPORATION) WHICH WILL BE JOINT PARTNERS IN THE PROJECT IF IT IS CARRIED OUT. EXISTING STUDIES ON BENI RIVER AND BALA DAM PROJECT ARE HELD BY PLANNING OFFICE IN MINISTRY OF DEFENSE.

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2. MOST IMPORTANT FEATURE OF CURRENT SITUATION IS THAT GOV APPEARS

LIKELY PROVIDE FEASIBILITY STUDY FINANCING ON TERMS ACCEPTABLE TO GOB. CHECK WITH HECTOR ORMACHEA, EXECUTIVE DIRECTOR NATIONAL FINANCE INSTITUTE (INDEF), INDICATES GOV PROBABLY WILL SEND MISSION TO BOLIVIA IN LATTER HALF OF JUNE OR EARLY JULY TO WORK ON TERMS OF REFERENCE FOR FEASIBILITY STUDY INVITATION TO BID. HE EXPRESSED GREAT INTEREST IN OBTAINING SERVICES OF TENNESSEE VALLEY AUTHORITY (TVA) EXPERT FOR BRIEF PERIOD SUCH AS ONE TO TWO WEEKS TO REVIEW STUDIES ALREADY DONE AND HELP ORIENT GOB OFFICIALS IN DEVISING APPROP

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RIATE TERMS OF REFERENCE FOR MAJOR MULTI-PURPOSE DAM AND POSSIBLY DEVELOPMENT PLAN FOR ENTIRE BENI VALLEY. ORMACHEA, APPARENTLY REFLECTING THINKING OF MIN PLAN/COORD, WISHES FEASIBILITY STUDY COVER INDUSTRIAL DEVELOPMENT POSSIBILITIES (INCLUDING FERTILIZER AND PETROCHEMICAL PLANTS), FLOOD CONTROL, IRRIGATION, TRANSPORT, AGRICULTURE AND TOURISM.

3. ACTION REQUESTED: FOR STATE/AID: INFORM WHETHER QUALIFIED TVA EXPERT COULD BE PROVIDED ON SHORT NOTICE AND ON WHAT TERMS. COULD AGREEMENT BETWEEN USAID AND TVA COVER SUCH TA? USAID/B IS SUFFICIENTLY INTERESTED TO CONSIDER SOME FORM OF PARTIAL FINANCING. WHETHER FROM TECH SUPPORT OR OTHER FUNDS WOULD DEPEND ON ALLOTMENTS. MISSION WOULD BE PREPARED TO APPROVE USE OF COUNTERPART A FUNDS IF GOB SO REQUESTED.

FOR COMMERCE: PROVIDE EARLY WARNING TO CONSULTING AND ENGINEERING FIRMS. THOSE INTERESTED SHOULD CONTACT LIC. HECTOR ORMACHEA, EXECUTIVE DIRECTOR, INDEF, MINISTRY OF FINANCE. CORRESPONDENCE IN ENGLISH ACCEPTABLE.

4. BACKGROUND. WHILE EMBASSY BELIEVES FEASIBILITY STUDY WILL BE CARRIED OUT SOON, ACTUAL CONSTRUCTION, IF STUDY POSITIVE, APPEARS UNLIKELY TO START FOR AT LEAST FIVE YEARS. ONE OF OBSTACLES TO PROJECT, LACK OF ACCESS TO REGION, MAY BE IN PROCESS OF BEING SURMOUNTED BY APPARENT WILLINGNESS OF INTER-AMERICAN DEVELOPMENT BANK TO FINANCE US\$80 MILLION LA PAZ-BENI ROAD. CONSTRUCTION FIRST PHASE THIS ROAD EXPECTED TO BEGIN IN 1976 DRY SEASON (ABOUT MAY). OIL COMPANIES ARE EXPLORING IN PARTS OF REGION AND OPENING TRACKS. BENI DAM EXPECTED TO COST PERHAPS US \$500 MILLION, INCREASE POWER CAPACITY BY MINIMUM OF MILLION KW AND POSSIBLY 2.1 MILLION KW, CONTROL FLOODING, INCREASE GRAZING AND AGRICULTURAL LAND, UNCLASSIFIED

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PROVIDE IRRIGATION WATER AND IMPROVE NAVIGATION IN BENI RIVER. PROJECT IS EVEN EXPECTED TO PRODUCE BETTER MICRO CLIMATE IN REGION WHICH IS REPORTEDLY BECOMING MORE AID DUE TO DEFORESTATION. BALA HAS BEEN THOUGHT OF AS DAM SITE FOR LONG PERIOD AS IT'S LOCATION WHERE BENI PASSES THROUGH VERY NARROW CANYON WHERE RIVER DROPS A 70 METERS IN VERY SHORT DISTANCE. DAM AT THAT POINT WOULD BACK UP HUGE LAKE, HOWEVER, EXTENDING BACK PERHAPS 70 KILOMETERS. MANY OBSERVERS COMING TO THINK IN TERMS

OF DEVELOPING SEVERAL DAMS RATHER THAN ONE.
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